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Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly a letter dated 30 June 2013 from the Chairman of the Board of Auditors transmitting the report of the Board on implementation of its recommendations relating to the biennium 2010-2011, submitted in accordance with General Assembly resolution 52/212 B (see annex).

* A/68/50.

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Letter of transmittal

30 June 2013

I have the honour to transmit to you the report of the Board of Auditors on the status of implementation of its recommendations relating to the biennium 2010-2011.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom of Great Britain
and Northern Ireland
Chair, United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Contents

		Page
	Summary	4
I.	Introduction	6
	A. Mandate	6
	B. Scope and methodology	6
II.	Status of implementation of the recommendations of the Board: overall observations	7
III.	Status of implementation of the recommendations of the Board by entity	13
	A. United Nations	13
	B. International Trade Centre UNCTAD/WTO	15
	C. United Nations University	17
	D. United Nations Institute for Training and Research	18
	E. United Nations Environment Programme	18
	F. United Nations Human Settlements Programme	19
	G. United Nations Office on Drugs and Crime	21
	H. International Criminal Tribunal for Rwanda	22
	I. International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law committed in the Territory of the Former Yugoslavia since 1991	23
IV.	Acknowledgement	24
Appendices		
I.	Status of implementation as at 31 March 2013 of the recommendations for the fifteen organizations included in the previous report of the Board of Auditors for the biennium 2010-2011	25
II.	Status of implementation of the recommendations of the Board of Auditors for the biennium 2008-2009 as at 31 March 2013	26

Report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2010-2011

Summary

Mandate

The present report is on the status of implementation as at 31 March 2013 of recommendations made by the Board of Auditors in its reports for the biennium 2010-2011, as approved by the General Assembly in its resolution 67/235.

Scope and methodology

The report covers the nine organizations on which the Board reports on a biennial basis to the General Assembly: the United Nations, United Nations Office on Drugs and Crime (UNODC), United Nations Environment Programme (UNEP), United Nations Human Settlements Programme (UN-Habitat), International Trade Centre (ITC), United Nations University (UNU), United Nations Institute for Training and Research (UNITAR), International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (International Tribunal for the Former Yugoslavia) and International Criminal Tribunal for Rwanda. The report does not include organizations on which the Board reports annually because, for example, of the implementation of International Public Sector Accounting Standards (IPSAS).

The Board validated the statistics supplied by the Administration of each entity on the status of implementation of the Board's recommendations.

Overall conclusion

The Board's aim is to provide clear, objective, evidence-based and actionable recommendations that add value to management and operations.

There has been an overall reduction in the number of recommendations made by the Board to the nine organizations from 173 for 2008-2009 to 139 for 2010-2011 (20 per cent). The overall proportion of fully implemented recommendations for the nine entities was 41 per cent for 2010-2011, comparable to the implementation rate for 2008-2009 (46 per cent). A further 55 per cent of recommendations (48 per cent in 2008-2009) were under implementation, leaving 4 per cent on which management made no progress or which were overtaken by events (6 per cent in 2008-2009).

The Board considers that the nine organizations concerned have given serious consideration to the Board's recommendations and are taking concrete steps to implement them.

Recommendations under implementation

Although the overall proportion of partially implemented recommendations is high, over one third of them relate to the implementation of multi-year transformation projects, such as International Public Sector Accounting Standards (IPSAS), or the new enterprise resource planning system, Umoja. Overall, the Board is satisfied that organizations have engaged substantively with its recommendations and are tackling the issues raised appropriately.

The recommendations illustrate a number of common themes, all contributing towards more effective enterprise and programme management, specifically the need for:

- Improved governance, accountability and internal control.
- Enhanced skills in important functions such as procurement and contract management, human resource management, financial management and reporting and performance management.
- Integrated supply management to address long-standing deficiencies in procurement and asset management.
- Enhanced programme and project management.
- Enhanced financial management, in particular the role of the finance function.

I. Introduction

A. Mandate

1. In its resolution 52/212 B, the General Assembly emphasized that primary managerial responsibility and accountability for the implementation of the recommendations of the Board should remain with department heads and programme managers. The Fifth Committee of the General Assembly has also reiterated its request to the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations of the Board of Auditors.[1]

2. The present report relates to recommendations made by the Board in its reports for the biennium 2010-2011 and approved by the General Assembly in paragraph 2 of resolution 67/235. It reflects the status of implementation as at 31 March 2013, categorized as recommendations that are (a) implemented, (b) under implementation, (c) not implemented or (d) overtaken by events.

B. Scope and methodology

3. The report covers the nine entities[2] on which the Board still reports on a biennial basis. Where entities have implemented IPSAS, our reporting on the status of implementation of recommendations is contained in the reports on the relevant entities.[3]

4. Pursuant to General Assembly resolution 52/212 B, the Board submits every two years a report on the status of implementation of recommendations for the entities that it audits. In the year that this report is not submitted, the Board submits a report entitled "Concise summary of principal findings and conclusions for the biennium". That report also has a summary table containing statistics showing the status of implementation of recommendations. In this manner, the Board provides a statistical summary of the status of implementation of recommendations every year but a deeper qualitative analysis every second year.

5. With the implementation of IPSAS by all entities from 1 January 2014, the Board is of the opinion that instead of submitting two separate reports every other year, it would be beneficial for the General Assembly to review one report annually, which would combine the concise summary of principal findings and conclusions with a statistical and summarized qualitative analysis of the status of implementation of recommendations.

6. If the General Assembly endorses this proposal, the Board will be in a position to implement a combined report containing a concise summary of principal findings

[1] General Assembly resolution 67/235, para. 8.

[2] United Nations, UNODC, UNEP, UN-Habitat, ITC, UNU, UNITAR, International Tribunal for the Former Yugoslavia and International Criminal Tribunal for Rwanda.

[3] United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Office for Project Services (UNOPS), United Nations Children's Fund (UNICEF), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), United Nations Joint Staff Pension Fund, United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and United Nations Capital Development Fund.

and conclusions and the status of implementation of recommendations from 2014 onwards on an annual basis. The new report could be entitled "Concise summary of principal findings and conclusions including the status of implementation of recommendations.

7. **The Board therefore seeks General Assembly approval to cease production of the report on the status of implementation of recommendations from 2014 onwards and to provide instead an overview analysis of the implementation of recommendations in a concise annual summary report.**

8. Our audit teams have undertaken work to validate the comments put forward by the Administration on the nine organizations featured in this report. For context, a summary of the status of implementation of recommendations for the 15 organizations featured in the previous report (for the biennium 2008-2009) is included in appendix I. This includes the six organizations that now report annually and are therefore out of scope for this report.[4]

9. Whenever audit teams were present at Headquarters between 31 March 2011 and 31 May 2011, they validated the data submitted. In most other cases, if the Board determined that it would not be cost-effective to dedicate specific teams to the review and validation of the data provided, it validated the data provided by the clients through a desk review or field audit. Whenever the evidence provided did not support the assessment of the Administration, the Board reflected its own assessment in the validated data contained in this report.

II. Status of implementation of the recommendations of the Board: overall observations

The nature of audit recommendations

10. The recommendations we make draw on the professional expertise of our staff and the unique perspective we have as the external auditors of the United Nations and its funds and programmes. They highlight to management our main areas of concern, but also where we see opportunities to build on existing good practice to improve further.

11. The external auditor cannot be responsible for implementing recommendations; that is the role of management. However, we are responsible for making recommendations that are well-founded, practical and that add value to management and operations. We work with management to ensure that our concerns are understood and to point out appropriate good practice, using examples from our wider experience to help management explore options and decide how they will respond. The Board takes these responsibilities seriously, not least because an assessment of the implementation of our recommendations features in the compacts of senior managers.

12. We cease carrying forward recommendations when there is clear evidence of full implementation, or management are able to demonstrate: (a) that the recommendations have been considered but have been overtaken by events; (b) that the benefits of implementation would not justify the use of scarce resources; or

[4] UNDP, UNICEF, UNRWA, UNFPA, United Nations Joint Staff Pension Fund and UNOPS.

(c) where new evidence emerges that justifies reconsideration of the original rationale for the recommendation. We are also duty bound to reiterate recommendations which address multi-year or long-standing issues.

13. The strategic nature of some recommendations means they may take years to fully implement as they are reliant on the implementation of a multi-year business transformation programme. For example, 23 of the 139 recommendations (17 per cent) are reliant on the successful adoption of IPSAS. Others are reliant on implementation of the United Nations new enterprise resource planning system, Umoja. We also acknowledge that under existing governance and accountability structures, some recommendations may be difficult for management to implement, or even to assign ownership for their implementation, but it remains our role to highlight these issues if they constitute clear risks to, or opportunities for, the organization.

Number of recommendations

14. There has been an overall reduction in the number of recommendations made by the Board to the nine organizations — from 173 for the biennium 2008-2009 to 139 for 2010-2011 (20 per cent).[5] A decreasing number of recommendations is not a reflection of the Board's opinion on whether management control is improving or not. Nor does an analysis of the number of recommendations take account of the relative importance of individual recommendations and the management effort it would take to implement them. It does reflect an ongoing commitment of the Board to highlight only the more important and strategic recommendations in its reports. The Board continues to provide detailed recommendations in management letters to the individual sites we visit as part of our audit programme.

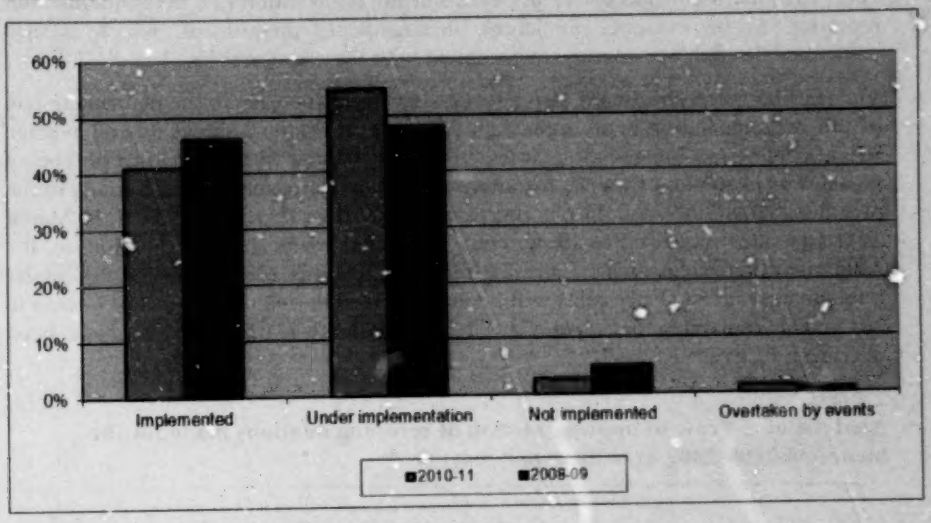
Overall status of implementation of recommendations

15. The figure below shows the overall status of implementation as at 31 March 2013 for recommendations made in the biennium 2010-2011 and the comparative result for 2008-2009. The overall proportion of fully implemented recommendations for the nine entities was 41 per cent for 2010-2011, broadly comparable to the implementation rate for 2008-2009 (46 per cent).[6] A further 55 per cent of recommendations (48 per cent for 2008-2009) were under implementation, leaving 4 per cent on which management had made no progress or which were overtaken by events. Further detail on the status of implementation by entity is set out in table 1.

[5] If the same 15 organizations reported on in the 2008-2009 biennium had been included in this report, the percentage reduction in recommendations would have been even greater, from 590 to 318 (46 per cent) compared to the previous biennium (see annex I).

[6] If the same 15 organizations reported on in the 2008-2009 biennium had been included in this report, the distribution would have shown a slight increase in recommendations that have been implemented (47 per cent from 46 per cent in 2008-2009).

Comparison of the overall status of implementation of the recommendations of the Board between the bienniums 2010-2011 and 2008-2009



Note 1: Status as at 31 March 2011 and 31 March 2013.

Table 1
Status of implementation as at 31 March 2013 of the recommendations of the Board of Auditors for the biennium 2010-2011

Organization	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
United Nations Secretariat	32	13	41	19	59	–	–	–	–
International Trade Centre UNCTAD/WTO	20	3	15	17	85	–	–	–	–
United Nations University	8	2	25	6	75	–	–	–	–
United Nations Institute for Training and Research	3	1	33	1	34	1	33	–	–
United Nations Environment Programme	16	7	44	9	56	–	–	–	–
United Nations Human Settlements Programme	16	9	56	4	25	2	13	1	6
United Nations Office on Drugs and Crime	28	11	39	15	53	1	4	1	4
International Criminal Tribunal for Rwanda	10	7	70	3	30	–	–	–	–
International Tribunal for the Former Yugoslavia	6	4	67	2	33	–	–	–	–
Total	**139**	**57**	**41**	**76**	**55**	**4**	**3**	**2**	**1**
2008-2009	**590**	**272**	**46**	**283**	**48**	**32**	**5**	**3**	**1**
2006-2007	**507**	**238**	**47**	**237**	**46**	**19**	**4**	**13**	**3**

Implemented recommendations

16. The Board considers a 41 per cent full implementation rate nine months after reporting to be evidence of strong management commitment, which is also confirmed through our ongoing engagement with the client entities.

17. Furthermore, the Board also notes a significant increase in the percentage rate of full implementation in all organizations over time. Table 2 shows that on average 82 per cent of recommendations were fully implemented 33 months after first being raised. For example, of the 72 recommendations made to the United Nations in the biennium 2008-2009, the 40 per cent implementation rate reported as at 31 March 2011 has since increased to 79 per cent just under two years later. In addition, the Administration states that of the 14 recommendations (19 per cent) still under implementation, 8 (11 per cent) will be implemented during the roll-out of Umoja in 2015. The remaining 5 (7 per cent) recommendations are agreed to have been overtaken by events.

Table 2
Analysis of the rate of implementation of recommendations made for the biennium 2008-2009 over time (per cent)

Organization	*After nine months as at 31 March 2011 (A/66/139)*	*After 21 months as at 31 March 2012 (A/67/173)*	*After 33 months as at 31 March 2013*
United Nations Secretariat	40	60	79
International Trade Centre UNCTAD/WTO	11	33	50
United Nations University	25	53	59
United Nations Institute for Training and Research	60	60	100
United Nations Environment Programme	38	62	95
United Nations Human Settlements Programme	53	55	86
United Nations Office on Drugs and Crime	7	33	73
International Criminal Tribunal for Rwanda	32	86	100
International Tribunal for the Former Yugoslavia	64	90	100
Average implementation rate	**37**	**59**	**82**

Note 1: Board analysis of 2008-2009 recommendations.

Recommendations under implementation

18. The number of recommendations for the biennium 2010-2011 which are under implementation has increased to 55 per cent from the 48 per cent reported in the previous biennium. Of these 74 recommendations, 23 will be addressed through the implementation of IPSAS.

19. Additionally, 42 recommendations (30 per cent) have multiple elements to them, reflecting, for example, the need not only to improve information but then to use that information to drive further improvements. We see that in the majority of cases, parts of these recommendations have been addressed by the organizations

concerned, but the full recommendation cannot be judged as implemented until all parts of the recommendation have been addressed. This impacts on some organizations more than others, for instance where in two cases almost half the recommendations made by the Board had multiple parts to them.

Recommendations not implemented

20. As at 31 March 2011, 3 per cent of recommendations had not been implemented (5 per cent in 2008-2009). The reasons for non-implementation vary and are commented upon at entity level in section III below. Some reasons for non-implementation are valid. Some entities have not yet begun the process of implementation. In some cases, action has been taken but it does not address the fundamental points raised in the recommendation. A further 1 per cent of recommendations have been overtaken by events. Again, the Board has not identified any systemic concerns.

Emerging themes

21. The Board has consistently maintained that because our recommendations cover a wide range of topics and reflect differing assessments of risk and differing extents and intensity of coverage at different entities across time, an analysis of numerical trends needs to be augmented by a more qualitative analysis. Conscious of Fifth Committee interest in the scope for further insights in this regard, a high-level analysis identified the following five themes.

22. **The need to improve governance, accountability and internal control.** The Board continues to make recommendations to tackle non-compliance at transactional levels, but also to highlight the absence or need for enhanced higher level controls such as performance and financial reporting to senior management. The Board often also comments on breaches or lack of clarity over delegations of authority, particularly in entities with globally dispersed operations; deficiencies in asset control; the absence of structured approaches to risk management from projects through to the entire organization; and the need to enhance the clarity and operation of accountability and reporting lines. These findings are also mirrored in our annual reports.

23. While local action is often taken, the Board considers that more concerted action is needed by entities to holistically assess their systems and frameworks of governance, accountability and internal control and re-examine whether they are appropriate and fit for purpose, well understood and operating as designed. Organizations with effective systems of governance and accountability can better hold to account those making decisions on the use of scarce resources. A well-defined system of internal control ensures controls are proportionate and fit for purpose and reduces the risk of fraud and error or of increased costs associated with controls that provide little or no assurance.

24. **The need for enhanced skills in important functions.** The Board continues to make recommendations to at least four organizations in the following areas: procurement and contract management, human resource management, financial management and reporting and performance management. Many of the recommendations address concerns beyond simple non-compliance and indicate the need for enhanced professionalism and skills in these vital functions. This would provide (a) a greater ability to develop a more strategic overview of the challenges

facing the organization as a whole and (b) an increased focus on adding value to service delivery, performing more of an advisory role and less of an administrative and processing role.

25. **The need for integrated supply management.** We made recommendations to five of the nine organizations on improving both asset management and procurement and in many instances these are recurring recommendations. Many of the concerns leading to such recommendations reflect the lack of an integrated approach to the planning and delivery of procurement, linked to reliable and timely information on the assets already available in the field or in warehouses. The Board considers that there is a need to think about the scope to adopt modern integrated supply management supported by improved information. This issue is also strongly reflected in many of the annual reports the Board produces, for example on peacekeeping operations and the Office of the United Nations High Commissioner for Refugees. The Board has consistently highlighted the need to use the new information produced under IPSAS and to enhance enterprise resource planning systems, so as to tackle this issue in a more holistic way. Integrated supply management, based on good information and professional skills, provides an organization with the ability to procure only what is needed when it is needed and to have greater confidence in its ability to deliver and store the items cost-effectively.

26. **The need for enhanced programme and project management.** The Board continues to note deficiencies in (a) how programme and project accomplishments and performance indicators are defined and linked to the strategic objectives of entities; (b) the monitoring of project execution, costs and progress (indicating weaknesses and challenges in implementing effective project management systems); and (c) the reporting of performance to management and stakeholders. Well-run programmes and projects minimize the risk of cost and time overruns and are more likely to result in the outcomes or improvements they were designed to deliver.

27. **The need for enhanced financial management.** The Board continues to make a range of recommendations on the need for improved budget formulation, better monitoring of spending, strengthened processes for the preparation of financial statements and a range of other issues requiring a stronger grip by the finance functions of entities (such as cash management). The Board has also consistently highlighted the need for enhanced skills in finance functions, both to implement IPSAS and manage the subsequent new information and processes. Overall, this indicates a need for finance functions that are less focused on budgets, transactional levels of control and accounting and more able to provide greater oversight, challenge and support to the organizations. In essence, the Board considers there is scope to enhance the role of the finance functions to tackle the root causes of many of the Board's recommendations in a sustainable manner. This is important at a time of continuing fiscal constraint, as it enables more effective decision-making on where to deploy resources and reduce costs and helps to better manage financial risks and exposure, in particular where entities are reliant on voluntary funding.

Implementing partners

28. The Board has, through its recommendations, highlighted weaknesses in the control and management of implementing partners, as well as the associated increased risks of fraud, error and poor value for money. We recognize the need to work with partners and that this is inherently risky, given the operating

environments for many entities, and increasingly so where we see inconsistent practices and continued examples of weak control in design or implementation. The Board has long considered this an area of high risk when planning and performing its external audits. We think there is significant scope for management to improve its control and oversight of the use of implementing partners, to enhance its fraud risk assessments and for more coordinated action and sharing of practices and information across entities. This is a major transversal area of focus for the Board in the biennium 2012-2013.

III. Status of implementation of the recommendations of the Board by entity

A. United Nations

29. Of the 32 recommendations made by the Board and accepted by the Administration with respect to the accounts of the United Nations for the biennium 2010-2011 (72 recommendations in 2008-2009), the United Nations had implemented 13 (41 per cent) and 19 (59 per cent) were under implementation. The rate of implementation in the biennium 2010-2011 (41 per cent) is broadly similar to 2008-2009 (40 per cent), which was itself a significant improvement on the previous biennium 2006-2007 (27 per cent). As shown in table 3, six of the recommendations still under implementation had multiple parts, with the Administration providing sufficient evidence to satisfy most of the parts of the recommendation but not all.

Table 3
Status of implementation of the recommendations of the Board of Auditors for the United Nations for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Presentation and disclosure of financial statements	2	1	50	1	50	–	–	–	–
Statement of income and expenditure	1	1	100	–	–	–	–	–	–
Progress made towards implementation of IPSAS	2	–	–	2	100	–	–	–	–
Results-based management/ budgeting	2	1	50	1	50	–	–	–	–
Treasury management	2	2	100	–	–	–	–	–	–
Procurement and contract management	8	2	25	6	75	–	–	–	–
Human resources management	2	1	50	1	50	–	–	–	–
Internal audit	2	2	100	–	–	–	–	–	–
Inventory management	2	2	100	–	–	–	–	–	–
Risk management	2	–	–	2	100	–	–	–	–
Internal control	2	1	50	1	50	–	–	–	–
Implementing partners	3	–	–	3	100	–	–	–	–

Area	Number of recommendations	Implemented		Under implementation		Not implemented		Overtaken by events	
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Business transformation	2	–	–	2	100	–	–	–	–
Total	**32**	**13**	**41**	**19**	**59**	**–**	**–**	**–**	**–**
2008-2009	**72**	**29**	**40**	**37**	**51**	**4**	**6**	**2**	**3**

30. The strategic nature of some recommendations, for example the implementation of enterprise risk management, involves fundamental reforms of the management system of the United Nations and it is therefore entirely appropriate that they may take years to fully implement. The Board considers that the rate of implementation at this point in the biennium represents good progress.

31. The Board views some disagreements with the Administration on what is possible as inevitable and considers it essential to maintain an ongoing dialogue around those recommendations that are not accepted. For example, 6 of the 32 recommendations judged as either implemented or under implementation were initially not fully accepted by the Administration.

32. For the biennium 2010-2011, the Administration did not accept eight recommendations, compared to four in the previous biennium. The reasoning of the Administration and the Board's response are noted in the financial report and audited financial statements for the biennium ended 31 December 2011 and report of the Board of Auditors (A/67/5 (Vol. I)). We consider these recommendations closed but plan to review whether the underlying issues we identified are still present during future audits and make new recommendations if necessary.

33. For example, one recommendation that was not accepted relates to the Administration enhancing its internal documentation on the preparation of financial statements prior to the implementation of Umoja. The Administration stated that due to the adoption of IPSAS and the implementation of Umoja, it did not see the need to devote any resources to developing further guidance under the United Nations system accounting standards. We accept this position, but during our next audit we will revisit our underlying concern that the Administration is reliant on the knowledge of a few experienced staff members rather than a well-documented set of guidelines.

34. We acknowledge that some recommendations may be difficult for the Administration to implement across an organization as varied as the United Nations, or even to assign ownership for implementation under existing governance and accountability structures. Five of the eight recommendations not accepted in the 2010-2011 biennium, plus seven judged as being under implementation fall into this category. However, we believe it is our role to highlight issues which may fall between the current organizational structures of the United Nations.

35. In particular, three recommendations which were not accepted relate to procurement and contract management: (a) clarifying the responsibilities of contract managers with regard to risk management; (b) establishing oversight of the risk profile of the population of contracts; and (c) establishing clear escalation processes with senior management for significant contract risks. The Administration commented that for the first recommendation, the responsibilities are already clearly

stated in the procurement manual and the other two recommendations were the responsibility of the requisitioning department. The Board accepts that current accountability and governance structures may make it difficult for central functions to impose consistent ways of working. However, we consider that a modern procurement function needs not just to set policy, but also enforce compliance with policy and promote consistent ways of working across the United Nations. We also consider that the real commercial and reputational risks associated with major contracts do need to be gripped centrally by management and not simply left to requisitioning departments or offices.

36. Two of the recommendations that were not accepted relate to the investigative functions of the Office of Internal Oversight Services (OIOS), specifically (a) a cost-benefit analysis of the total cost of investigations to the United Nations as a whole, not just OIOS, and (b) taking into account the investigative capacity of other bodies. OIOS agreed with the recommendations, performed the cost-benefit analysis but stated that it did not have the mandate to look at investigative capacity in the wider United Nations. We accept this is the case and that the pilot of reallocation of investigative resources is complete. Therefore our recommendations are closed. We do, however, consider that our fundamental concern — the lack of a holistic understanding of the investigative capacity within the wider United Nations — is still valid if the Administration is to develop an effective overall system of internal investigations.

37. The final two recommendations that were not accepted by the Administration relate to presenting the General Assembly with proposals to simplify the programme planning process and the inclusion of an executive summary in the programme performance report to provide a concise summary of the key issues. We respect the position of the Administration on both these issues, but consider that they are still valid issues to raise.

B. International Trade Centre UNCTAD/WTO

38. Of the 20 recommendations made by the Board with respect to the accounts of ITC for the biennium 2010-2011 (9 recommendations for 2008-2009), ITC had implemented 3 recommendations (15 per cent) and 17 (85 per cent) were under implementation, as shown in table 4.

Table 4
Status of implementation of the recommendations of the Board for the International Trade Centre UNCTAD/WTO for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Financial statements	3	–	–	3	100	–	–	–	–
Examination of management issues	12	3	25	9	75	–	–	–	–
Progress made towards the implementation of IPSAS	5	–	–	5	100	–	–	–	–
Total	**20**	**3**	**15**	**17**	**85**	–	–	–	–
2008-2009	**9**	**1**	**11**	**8**	**89**	–	–	–	–

39. Table 4 shows that the implementation rate of 15 per cent for the biennium 2010-2011 represented an increase compared to 2008-2009 (11 per cent). The Board is encouraged by this trend. However this is partly due to the superseding of 2008-2009 recommendations in the biennium 2010-2011. Full implementation of some recommendations is in part contingent upon wider change programmes within the United Nations, specifically the global implementation of IPSAS and the completion of Umoja. The Board also notes that 3 of the 17 recommendations under implementation have multiple elements, the majority of which have been addressed by the organization, but the full recommendation cannot be judged as implemented until all parts of the recommendation have been addressed.

40. The increase in the number of recommendations for the biennium 2010-2011 represents the result of an initial review of management processes resulting in 12 recommendations (60 per cent) of the total 20 in 2010-2011. There are no such recommendations for comparison in the biennium 2008-2009.

41. The Board is encouraged that 100 per cent of recommendations are either implemented or under implementation with some beneficial changes. For example, the Board had recommended that ITC scrutinize any significant changes in key project management documentation (such as alterations to budgets, scope and outputs) during the implementation and monitoring phase through evidenced review by at least one of the following: senior management, quality reviewers or a project sponsor.

42. In response, ITC has introduced new procedures for managing changes to projects during the implementation phase. Projects that need to have significant changes to scope, budget or duration now have to get detailed approval by appropriately structured tiers of delegation from the Senior Management Committee down. The Board notes the implementation of new change control documentation and procedures which should in principle prevent unauthorized slippage on cost and time. The lack of such formal controls was a serious weakness of the previous arrangements and the new procedures represent a useful step forward.

43. The Board had also recommended that ITC project managers and reviewers from the Project Quality Assurance Group specifically consider whether:

(a) Risk has been adequately assessed, including whether its impact has been quantified in monetary terms;

(b) How far identified risks are addressed by mitigation/contingency arrangements;

(c) Clear responsibility and accountability for managing the identified risk has been allocated.

44. ITC has reported that risks are a key feature of its new project design process and scrutinized by layers of quality assurance processes to ensure that they are proportionate, realistic and have mitigating actions to decrease their severity to acceptable levels. The Board notes that risk templates are implemented as part of project plans and are covered by training and should therefore provide better visibility of risks and mitigation arrangements than before. One further enhancement for ITC to consider going forward, in the light of experience with its new system, would be to grade risks after mitigation, to show residual risk still more clearly.

C. United Nations University

45. Of the eight recommendations made by the Board with respect to the accounts of UNU for the biennium 2010-2011 (16 in 2008-2009), UNU had implemented two (25 per cent), and six (75 per cent) were under implementation, as shown in table 5.

Table 5
Status of implementation of the recommendations of the Board for the United Nations University for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Finance management	1	1	100	–	–	–	–	–	–
Programme and project management	1	–	–	1	100	–	–	–	–
Human resources management	2	1	50	1	50	–	–	–	–
Procurement and contracts management	2	–	–	2	100	–	–	–	–
Progress made towards the implementation of IPSAS	2	–	–	2	100	–	–	–	–
Total	**8**	**2**	**25**	**6**	**75**	–	–	–	–
2008-2009	**16**	**4**	**25**	**9**	**56**	**3**	**19**	–	–

46. Of the six recommendations for 2010-2011 which were under implementation, two have a target implementation date before October 2013, when the Board will provide a further update in its audit report for the biennium 2012-2013. If implemented on target, the implementation rate will rise to 50 per cent.

47. The full implementation of two (33 per cent) of the six recommendations for 2010-2011 which were under implementation is contingent upon the finalization of wider policy and change management programmes within the United Nations, specifically the implementation of IPSAS and the modification of the Atlas enterprise resource planning system to be IPSAS compliant.

48. One recommendation currently under implementation relates to developing a funding plan for end-of-service liabilities for consideration and approval by the UNU Council (2008-2009). The end-of-service and post-retirement liabilities of UNU amounted to $10.7 million as at 31 December 2012 and are not funded. The Administration holds the view that the continuation of the "pay as you go" approach for this liability is unsustainable and there is a need to introduce a funding mechanism to address the situation. A recommendation will be made to the UNU Council in November 2013 to finance this liability through a charge on salary costs, effective 1 January 2014.

D. United Nations Institute for Training and Research

49. Of the three recommendations made by the Board with respect to the accounts of UNITAR for the biennium 2010-2011, one (33.3 per cent) was fully implemented, one (33.3 per cent) was under implementation, and one (33.3 per cent) was not implemented. The status of implementation of the Board's recommendations presented below in table 6 was validated by the Board.

Table 6
Status of implementation of the recommendations of the Board for the United Nations Institute for Training and Research for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Financial reporting	2	1	50	–	–	1	50	–	–
IPSAS adoption	1	–	–	1	100	–	–	–	–
Total	**3**	**1**	**33.3**	**1**	**33.3**	**1**	**33.3**	**–**	**–**
2008-2009	**5**	**3**	**60**	**2**	**40**	**–**	**–**	**–**	**–**

50. The recommendation which was fully implemented relates to a clear articulation of the definition, scope and percentage of programme support costs and administrative costs, in order to increase the transparency and comprehensibility of the financial statements. The management of UNITAR has issued an administrative circular on new cost-recovery methods to help to clarify this.

51. The recommendation which was partially implemented relates to intensifying efforts to ensure the timely implementation of IPSAS.

52. The recommendation currently not implemented relates to the disclosure of information about programme support income, including the definition, scope and calculation methodology in the notes to the financial statements. The management of UNITAR stated that United Nations Headquarters is responsible for preparing the financial statements and the related footnotes of UNITAR and following consultation, Headquarters has indicated that the audit recommendation should not be accepted. We will follow up on this recommendation as part of our next audit.

E. United Nations Environment Programme

53. Of the 16 recommendations made by the Board with respect to the accounts of UNEP for the biennium 2010-2011, seven (44 per cent) have been implemented, while nine recommendations (56 per cent) were under implementation, as shown in table 7. The rate of implementation in the biennium 2010-2011 (44 per cent) has increased compared to 2008-2009 (38 per cent).

Table 7
Status of implementation of the recommendations of the Board for the United Nations Environment Programme for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Financial management and reporting	6	2	33	4	67	–	–	–	–
Regular expenditure through partners	1	–		1	100	–	–	–	–
Asset management	1	–	–	1	100	–	–	–	–
Risk management	1	–	–	1	100	–	–	–	–
Procurement management	1	–	–	1	100	–	–	–	–
IPSAS implementation project	2	2	100	–	–	–	–	–	–
Performance and reporting system	4	3	75	1	25	–	–	–	–
Total	**16**	**7**	**44**	**9**	**56**	**–**	**–**	**–**	**–**
2008-2009	**26**	**10**	**38**	**13**	**50**	**3**	**12**	**–**	**–**

F. United Nations Human Settlements Programme

54. Of the 16 recommendations made by the Board for the biennium 2010-2011, UN-Habitat has implemented nine (56 per cent), four (25 per cent) were under implementation, two (13 per cent) were not implemented, and one (6 per cent) was overtaken by events (see table 8). The rate of implementation in the biennium 2010-2011 (56 per cent) remained broadly similar to 2008-2009 (53 per cent).

55. The recommendation that was overtaken by events was a requirement for UN-Habitat to request that the United Nations Office at Nairobi enhance the disclosures within its future financial statements by inserting a footnote to statement I stating the value of negative entries caused by the cancellation of obligations created in previous periods for the projects that remain ongoing. This recommendation was not accepted by the Office at Nairobi and will be implemented through the adoption of IPSAS.

Table 8
Status of implementation of the recommendations of the Board for the United Nations Human Settlements Programme for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Financial management	1	–	–	1	100	–	–	–	–
Statement of income and expenditure	1	–	–	–	–	–	–	1	100
Liabilities: end of service liabilities	1	–	–	–	–	1	100	–	–
Assets: unsupported bank balances	1	–	–	1	100	–	–	–	–
Non-expendable assets	1	1	100	–	–	–	–	–	–
Risk management	1	–	–	1	100	–	–	–	–
Procurement	1	1	100	–	–	–	–	–	–
Progress made towards the implementation of IPSAS	2	2	100	–	–	–	–	–	–
Programme development and performance reporting	7	5	71	1	15	1	14	–	–
Total	**16**	**9**	**56**	**4**	**25**	**2**	**13**	**1**	**6**
2008-2009	**19**	**10**	**53**	**7**	**37**	**2**	**10**	**–**	**–**

56. Of the two recommendations not implemented, the first is the requirement for UN-Habitat to set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly. This was also the Board's recommendation for the biennium 2008-2009, which has not yet been implemented and was therefore reiterated for the biennium 2010-2011. UN-Habitat states that it is seeking guidance from United Nations Headquarters and, depending upon the advice received, it may seek the relevant authorization of the General Assembly and its Governing Council. This remains outstanding as there has been no clear guidance issued as yet.

57. The second recommendation that is judged not yet implemented relates to programme development and performance reporting. The Board recommended that UN-Habitat senior management regularly review, at least every six months, performance and progress against the biennial work programme and budget, documenting the review and any actions to be taken. UN-Habitat stated that they have made progress on the recommendation and that improvements have been made to the collection of performance evidence which are now being included in the Integrated Monitoring and Document Information System (IMDIS); and senior management have committed to review performance and progress against the biennial work programme and budget. While the Board welcomes this, we could not establish any supporting evidence and will revisit this recommendation in future audits.

G. United Nations Office on Drugs and Crime

58. Of the 28 recommendations made by the Board with respect to the accounts of UNODC for the biennium 2010-2011, 11 (39 per cent) were fully implemented, 15 (53 per cent) were under implementation, one (4 per cent) was not implemented and one (4 per cent) was overtaken by events, as shown in table 9. For 2008-2009, there were 6 outstanding recommendations, of which 2 were implemented in 2012 and the remaining 4 are related to IPSAS and are being implemented on an ongoing basis.

Table 9
Status of implementation of the recommendations of the Board for the United Nations Office on Drugs and Crime for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Financial overview and financial management	11	8	73	2	18	1	9	–	–
End-of-service liability	1	1	100	–	–	–	–	–	–
Asset management	4	1	25	3	75	–	–	–	–
Procurement	2	–	–	2	100	–	–	–	–
Progress made towards the implementation of IPSAS	1	1	100	–	–	–	–	–	–
Strategic planning and budgeting	2	–	–	1	50	–	–	1	50
Performance reporting and management	7	–	–	7	100	–	–	–	–
Total	**28**	**11**	**39**	**15**	**53**	**1**	**4**	**1**	**4**
2008-2009	**15**	**1**	**7**	**9**	**60**	**5**	**33**	–	–

59. Table 9 shows that, despite there being almost double the number of recommendations in 2010-2011 compared to the biennium 2008-2009, UNODC managed to fully implement 11 recommendations (39 per cent). This is a significant improvement on the one recommendation (7 per cent) implemented in the previous biennium, showing that the level of recommendations that were either implemented or under implementation by UNODC had increased to 92 per cent, with only one recommendation not implemented.

60. The recommendation not implemented is related to corporate risk management. UNODC agreed with the Board's recommendation to implement a consistent organizational approach to risk management planning and indicated that it was developing a corporate risk mitigation methodology. However, the development of the methodology had not commenced at the time of the interim audit. UNODC indicated to the auditors that this was at an early stage and would be progressed.

61. The two recommendations submitted as completed but found to be under implementation by the Board are examined as follows. The first recommendation is related to the treatment of income. UNODC agreed with the Board's recommendation that it account for donations consistently and in accordance with United Nations regulations and rules and that any deviations from the regulations be properly recorded and justified at the point of receipt of the pledge. The Board was

able to confirm that progress is under way to ensure consistency in the recording of funding agreements by the Co-Financing and Partnership Section and that the Financial Resources Management Service of the United Nations Office at Vienna has agreed to implement an internal procedure whereby such agreements are recorded based upon clearance by the Co-Financing and Partnership Section and acceptance by the Financial Resources Management Service.

62. Furthermore, the Board's review of voluntary contribution income identified some remaining inconsistencies in the supporting documentation held on the system. As such, we are content that there has been improvement since the previous biennium, but feel there is further work to be done to fully implement this recommendation.

63. The second recommendation is related to improvements to procurement performance data. The United Nations Office at Vienna agreed with the Board's recommendation to enhance its procurement performance data by defining its information needs and implementing enhancements to systems. The Office indicated that system enhancements had been implemented as of March 2013 and significant improvements to systems had indeed been made, but the Board notes that some enhancements are under implementation, rather than already implemented.

64. One recommendation was overtaken by events. UNODC agreed with the Board's recommendation that it set out how the success of the new approach to strategic planning and budgeting would be measured, including an assessment of the cost of implementation. UNODC completed an evaluation of the new approach in 2012, but did not include an assessment of costs. UNODC indicated that this would have been extremely difficult and was likely to be of limited value. The Board accepts that the output from this evaluation does provide a strong basis for improving its planning, project initiation and ongoing programme management and that any further analysis of costs at this stage is unlikely to yield worthwhile value.

65. Management feel that the partial implementation of enhancements to the procurement system is allowing the procurement team to monitor and manage its business more effectively and that the completion of an evaluation of the new strategic approach to budgeting and planning has provided UNODC with a strong basis for improving its planning, project initiation and ongoing programme management.

H. International Criminal Tribunal for Rwanda

66. Of the 10 recommendations made by the Board with respect to the accounts of the International Criminal Tribunal for Rwanda for the biennium 2010-2011, the Tribunal had implemented seven (70 per cent) and three (30 per cent) were under implementation, as shown in table 10.

Table 10
Status of implementation of the recommendations of the Board for the International Criminal Tribunal for Rwanda for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Presentation and disclosure of financial statements	1	1	100	–	–	–	–	–	–
Progress made towards implementation of IPSAS	1	–	–	1	100	–	–	–	–
Strategic planning and budgeting	2	1	50	1	50	–	–	–	–
Non-expendable property management	1	1	100	–	–	–	–	–	–
Human resources management	1	1	100	–	–	–	–	–	–
Information technology	1	–	–	1	100	–	–	–	–
Transportation and travel management	1	1	100	–	–	–	–	–	–
Performance management and reporting	2	2	100	–	–	–	–	–	–
Total	**10**	**7**	**70**	**3**	**30**	**–**	**–**	**–**	**–**
2008-2009	**22**	**7**	**32**	**14**	**64**	**1**	**4**	**–**	**–**

67. The level of implementation in the biennium 2010-2011 (70 per cent) represented a significant increase over 2008-2009 (32 per cent). The Board is encouraged by this trend and notes that the Tribunal is currently going through a process of downsizing.

68. The Board has no concerns at this time regarding the three recommendations which are under implementation, as the target implementation date is before 2014. We will follow up during future audits.

I. International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law committed in the Territory of the Former Yugoslavia since 1991

69. Of the 6 recommendations made by the Board for the biennium 2010-2011, the International Tribunal for the Former Yugoslavia had implemented four (67 per cent), which is a slight increase over 2008-2009 (64 per cent). The remaining two (33 per cent) are under implementation, as shown in table 11.

Table 11
Status of implementation of the recommendations of the Board for the International Tribunal for the Former Yugoslavia for the biennium 2010-2011

Area	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Progress made towards the implementation of IPSAS	1	1	100	–	–	–	–	–	–
Strategic planning and budgeting	1	1	100	–	–	–	–	–	–
Asset management	1	–	–	1	100	–	–	–	–
Performance management and reporting	1	1	100	–	–	–	–	–	–
Information technology	1	–	–	1	100	–	–	–	–
Human resource management	1	1	100	–	–	–	–	–	–
Total	**6**	**4**	**67**	**2**	**33**	–	–	–	–
2008-2009	**10**	**10**	**100**	–	–	–	–	–	–

70. The implementation of four (67 per cent) recommendations for 2010-2011 is due to the Tribunal abolishing posts (including both temporary and general temporary assistance positions) through a process of downsizing, implementation of IPSAS and preparation of the consolidated closure plan. In addition, management has achieved faster processing of trials and appeals through improvements made in the management of the archives and records management depositories, improved e-mail policies and the preparation of a disaster recovery plan for physical records.

IV. Acknowledgement

71. The Board wishes to express its appreciation to the United Nations organizations and their staff for the cooperation and assistance they provided to the Board's teams in the preparation of this report.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of the People's Republic of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the United Republic of Tanzania

30 June 2013

Appendix I

Status of implementation as at 31 March 2013 of the recommendations for the fifteen organizations included in the previous report of the Board of Auditors for the biennium 2010-2011

Organization	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
United Nations Secretariat	32	13	41	19	59	–	–	–	–
International Trade Centre UNCTAD/WTO	20	3	15	17	85	–	–	–	–
United Nations University	8	2	25	6	75	–	–	–	–
United Nations Institute for Training and Research	3	1	33	1	34	1	33	–	–
United Nations Environment Programme	16	7	44	9	56	–	–	–	–
United Nations Human Settlements Programme	16	9	56	4	25	2	13	1	6
United Nations Office on Drugs and Crime	28	11	39	15	53	1	4	1	4
International Criminal Tribunal for Rwanda	10	7	70	3	30	–	–	–	–
International Tribunal for the Former Yugoslavia	6	4	67	2	33	–	–	–	–
United Nations Development Programme	33	8	24	25	76	–	–	–	–
United Nations Children's Fund	29	19	66	8	27	–	–	2	7
United Nations Relief and Works Agency for Palestine Refugees in the Near East	36	29	81	7	19	–	–	–	–
United Nations Population Fund	33	10	30	19	58	3	9	1	3
United Nations Joint Staff Pension Fund	28	20	71	8	29	–	–	–	–
United Nations Office for Project Services	20	7	35	13	65	–	–	–	–
Total	**318**	**150**	**47**	**156**	**49**	**7**	**2**	**5**	**2**
2008-2009 (percentage)	**590**	**272**	**46**	**283**	**48**	**32**	**5**	**3**	**1**
2006-2007 (percentage)	**507**	**238**	**47**	**237**	**46**	**19**	**4**	**13**	**3**

Note 1: UNDP, UNFPA, UNOPS, UNICEF, United Nations Joint Staff Pension Fund and UNRWA have been added for context.

Note 2: The difference between the 676 recommendations included in the latest concise summary (A/67/173) and the 590 recommendations included in the 2008-2009 report (A/66/139) is explained by 52 recommendations on peacekeeping operations, 33 on UNHCR, an increase of 1 recommendation for the International Tribunal for the Former Yugoslavia and a decrease of 1 recommendation each for UNU and UN-Habitat.

Appendix II

Status of implementation of the recommendations of the Board of Auditors for the biennium 2008-2009 as at 31 March 2011

Organization	*Number of recommendations*	*Implemented*		*Under implementation*		*Not implemented*		*Overtaken by events*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
United Nations Secretariat	72	29	40	37	51	4	6	2	3
International Trade Centre UNCTAD/WTO	9	1	11	8	89	–	–	–	–
United Nations University	16	4	25	9	56	3	19	–	–
United Nations Development Programme	89	46	52	43	48	–	–	–	–
United Nations Children's Fund	50	6	12	42	84	2	4	–	–
United Nations Relief and Works Agency for Palestine Refugees in the Near East	61	31	51	25	41	4	7	1	1
United Nations Institute for Training and Research	5	3	60	2	40	–	–	–	–
United Nations Environment Programme	26	10	38	13	50	3	12	–	–
United Nations Population Fund	93	61	66	31	33	1	1	–	–
United Nations Human Settlements Programme	19	10	53	7	37	2	11	–	–
United Nations Office on Drugs and Crime	15	1	7	9	60	5	33	–	–
International Criminal Tribunal for Rwanda	22	7	32	14	64	1	5	–	–
International Tribunal for the Former Yugoslavia	11	7	64	4	36	–	–	–	–
United Nations Joint Staff Pension Fund	43	17	40	19	44	7	16	–	–
United Nations Office for Project Services	59	39	66	20	34	–	–	–	–
Total	**590**	**272**	**46**	**283**	**48**	**32**	**5**	**3**	**1**
2006-2007 (percentage)	**507**	**238**	**47**	**237**	**46**	**19**	**4**	**13**	**3**
2004-2005 (percentage)	**651**	**342**	**52**	**276**	**43**	**28**	**4**	**5**	**1**

Note 1: The difference between the 676 recommendations included in the latest concise summary (A/67/173) and the 590 recommendations included in the 2008-2009 report (A/66/139) is explained by 52 recommendations on peacekeeping operations, 33 on UNHCR, an increase in 1 recommendation for ICTY and a decrease of one recommendation each for UNU and UN-Habitat.